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# **SOUTH CAROLINA STATE ACCIDENT FUND**



## **ANNUAL REPORT 1993-1994**

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State Budget And Control Board

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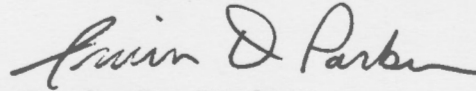
LETTER OF TRANSMITTAL

The Honorable Carroll A. Campbell, Governor and  
Members of the General Assembly.

Ladies and Gentlemen:

We are pleased to submit, in accordance with the Code of Laws  
of South Carolina, 1976, as amended, the report of the  
activities of the State Accident Fund for Fiscal Year  
1993-94.

Respectfully submitted,

A handwritten signature in cursive script, reading "Irvin D. Parker".

Irvin D. Parker  
Director  
State Accident Fund

November 1, 1994



# State Accident Fund

November 1, 1994

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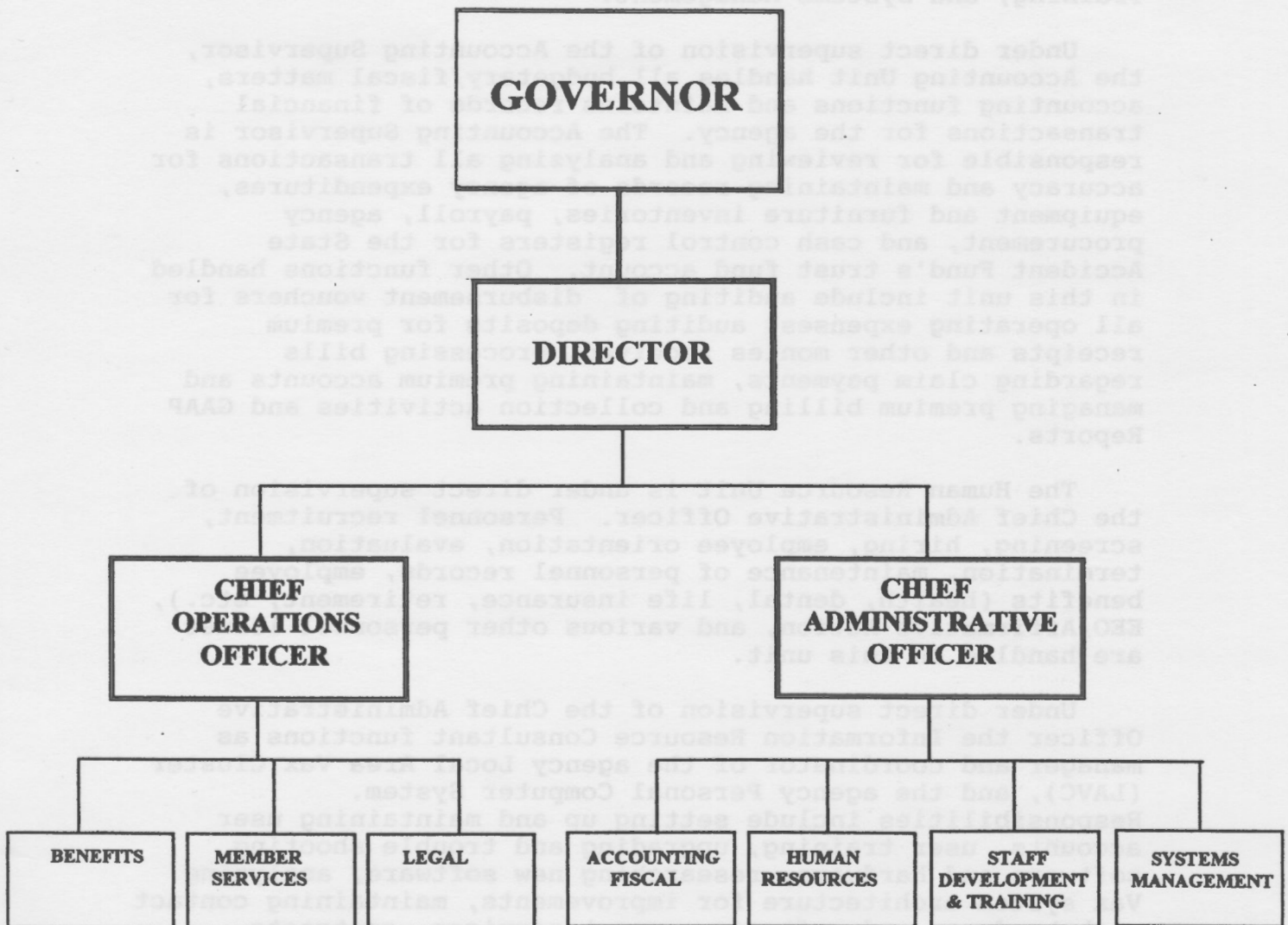
## MISSION STATEMENT:

To excel in providing customer focused workers' compensation insurance services to state and local governments at a cost equal to or lower than the private sector.

## OBJECTIVES:

1. The SAF must continue its pursuit of quality improvement in all aspects of agency service.
2. The SAF must revise job specifications to appropriately reflect needs and adjust classifications and pay levels to facilitate recruiting and retaining qualified personnel.
3. To review organization structure, staffing levels, job functions and out sourcing opportunities to ensure cost effectiveness of all outputs.
4. To develop a five year acquisition plan, with cost/benefit analysis for major facilities and equipment.
5. To institute a proactive legislative program to improve the workers' compensation system and state agency management.
6. To procure a state-of-the-art information system that will satisfy SAF's needs for current and future workers' compensation insurance to achieve significant competitive advantages in speed, flexibility, cost, quality and service.
7. To develop individual and agency performance measurement in terms of output, to include an on-going, comprehensive assessment of customer perceptions, expectations and satisfaction level.
8. To develop a process to effectively keep customers, suppliers, public officials and the general citizenry well informed of pertinent workers compensation and State Fund issues and developments.
9. To establish "EPMS" criteria before July 1 before performance pay increases become involved.
10. The SAF must take action to obviate threats and capitalize on opportunities posed by the external environment.

STATE ACCIDENT FUND  
ORGANIZATIONAL CHART  
FY 93-94



## ADMINISTRATION DIVISION

Headed by the Chief Administrative Officer, the Administration Division consists of four (4) functional units comprised of eighteen staff members. The units are: Accounting/Fiscal, Human Resources, Staff Development and Training, and Systems Management.

Under direct supervision of the Accounting Supervisor, the Accounting Unit handles all budgetary/fiscal matters, accounting functions and maintains records of financial transactions for the agency. The Accounting Supervisor is responsible for reviewing and analyzing all transactions for accuracy and maintaining records of agency expenditures, equipment and furniture inventories, payroll, agency procurement, and cash control registers for the State Accident Fund's trust fund account. Other functions handled in this unit include auditing of disbursement vouchers for all operating expenses, auditing deposits for premium receipts and other monies received, processing bills regarding claim payments, maintaining premium accounts and managing premium billing and collection activities and GAAP Reports.

The Human Resource Unit is under direct supervision of the Chief Administrative Officer. Personnel recruitment, screening, hiring, employee orientation, evaluation, termination, maintenance of personnel records, employee benefits (health, dental, life insurance, retirement, etc.), EEO/Affirmative Action, and various other personnel issues are handled in this unit.

Under direct supervision of the Chief Administrative Officer the Information Resource Consultant functions as manager and coordinator of the agency Local Area Vax Cluster (LAVC), and the agency Personal Computer System. Responsibilities include setting up and maintaining user accounts, user training, upgrading and trouble shooting software and hardware, researching new software, analyzing Vax system architecture for improvements, maintaining contact with hardware and software support services, contracts, system start-ups and shut-downs and maintaining daily and weekly system backups. The Information Resource Consultant is also responsible for serving as PC Consultant to assist staff on personal computer applications and for coordination and preparation of the yearly Information Technology Plan.

Training and Education functions are also under direct supervision of the Chief Administrative Officer. These functions include responsibility for developing, reviewing, planing, approving, and coordination of all agency programs, projects and services involving education, training and staff development efforts of all types including organizing in-service training, seminars, workshops, work retreats, conferences and other activities for the internal and external customers of the State Accident Fund.



## OPERATIONS DIVISION

### 1. MEMBER SERVICES DEPARTMENT

The Member Services Department consists of four functional sections with 10 staff personnel under the direction of a Unit Director who reports to the Chief Operations Officer.

The four functional sections are (1) Safety and Loss Prevention; (2) Audit and Premium Accounting; (3) Third Party Subrogation and (4) Second Injury Claims Recoveries. Employer Relations functions is the responsibility of the team.

The Safety and Loss Prevention section assists State Fund members in reducing work place injuries. This is accomplished by conducting safety surveys which identify and remove causes of accidents, through safety seminars/training and safety awareness activities for State Fund members.

The Audit and Premium Accounting Section maintains premium accounts, conducts payroll audits and manages premium billing activities. Reports, interviews, seminars and personal communications are utilized to keep employers informed as to the basis and method of premium determination and all related account issues.

The Subrogation Section monitors workers' compensation claims in which a third party might be liable to the worker for his/her injuries. Attempts are then made to recover from such liable third parties amounts paid by the State Fund to workers injured by such third parties.

The Second Injury Claims Section monitors workers' compensation claims which might qualify for reimbursement of a portion of the claims expense from the Second Injury Fund; and processes and manages claims for such reimbursement.

Employer Relations functions are the responsibility of the managers of the functional units who are expected to be especially attuned to employer needs, concerns, wishes, and perceived problems with any aspect of the State Fund operations. Once problems are identified and verified, good customer service responses are employed to effectively communicate pertinent information to the appropriate State Fund management area. Follow-ups as appropriate are made with a view toward maximizing communication between the State Fund and its customers and expediting service problem resolution.

The Unit Director coordinates all of the efforts of the Division and provides administrative and support management for the division.

During FY 1993-94, the State Fund recovered \$4,242,923.13 from the Second Injury Fund.

During FY 1993-94, recoveries by the State Fund amount to \$576,266.90 in Third Party action.

The Premium Receipts Statement is a yearly accounting of the receipts by State, County and Municipal participants in the State Accident Fund for each fiscal year between 1974-75 and 1993-94.

Programs operated by the Member Services Division in priority order are:

1. Estimated Premium Billing and Audit
2. Member Services Relations
3. Safety and Loss Control
4. Second Injury Recovery
5. Third Party Recovery



## 2. BENEFITS DEPARTMENT

The Workers' Compensation Fund Benefits/Claims Unit consists of 39 staff members under the direct supervision of a Unit Director who reports directly to the Chief Operations Officer.

The Benefits Section is responsible for providing prompt compensation to injured workers. This compensation may take any of the following forms.

- Compensation for Lost Wages with payment within 14 days.
- Payment of Medical Expenses within 30 days.
- Referral for Medical Management
- Referral for Vocational Rehabilitation
- Compensation for Permanent Disabilities
- Compensation for Partial Disabilities
- Compensation for Total Disabilities
- Development of Cost Containment Procedures

The Benefits Section is divided into 5 teams:

- Three Claims Teams generally consisting of 4 Claims Adjustors and 2 Claims Assistants directly supervised by a Claims Supervisor. The primary responsibilities are acceptance/denial of all claims, payment of medical expenses, lost time wages, settlements, and referrals for medical management, vocational rehabilitation services, and claims customer service.
- An investigative team consisting of 3 staff personnel is directly supervised by an Investigative Coordinator. The primary responsibility of this team is to conduct in-depth claims investigations and handle informal conferences set by the South Carolina Workers' Compensation Commission.
- A Claims Initiation/File Retention Team consisting of 6 staff personnel and a supervisor. The primary responsibility of this team is responsible for processing incoming and outgoing mail and managing approximately 23,000 open and closed claim files. The initiation part of this team is responsible for receiving and reviewing setting up, and appropriate routing of all new claims based on "claim type."
- One Administrative Assistant to the director of Claims responsible for providing administrative support.

Lost wages and medical expenses are approved provided claims are compensable and proper medical documentation or necessary narrative reports have been submitted.

All initial reserves on new claims are automatically generated by a computer application program. Reserves are adjusted based on disbursements to date and potential long-term liabilities of the claim.

Claims are monitored for status and routed to appropriate personnel to request necessary information to update claims for the purpose of concluding the claim and closing the file. During FY 1993-94, 10,195 claims were filed with the State Fund; 13,369 claims were closed; and a total of 7,349 claims are pending.

Programs operated by the Benefits Section are:

1. Payment of Lost Time
2. Medical Bill Approval
3. Investigative Services
4. Vocational Rehabilitation
5. Cost Containment
6. Claims Initiation
7. Claims Management
8. Customer Service
9. On Site Speakers/Training for Employers to explain Workers Compensation information
10. Claims Training
11. File Retention
12. Informal Conferences

Also, During FY 93-94, the Benefits/Claims Section provided Comprehensive Training on South Carolina Law and Interpretation. Three State Fund Claims Supervisors provided this training to 15 claims staff personnel. A Claims Procedure Manual was provided to those staff members in attendance.

### 3. LEGAL DEPARTMENT

The Legal Unit consists of 10 staff personnel directed by the Unit Manager.

The Legal Unit is responsible for the management of claims litigation using a combination of in-house counsel and associate counsel (contract attorneys) from throughout the state.

The Legal Unit is also responsible for providing legal advice and assistance to all units of the State Accident Fund regarding claims as well as employers covered by the Fund.

During FY 93-94, the Legal Unit opened 828 claims for litigation and filed 72 appeals.



# STATE ACCIDENT FUND

## BALANCE SHEET

AS OF June 30, 1994

### ASSETS

(In Thousands of Dollars)

1. Cash and Bank Demand Deposits	\$40,014
2. Premiums due but not collected	11,001
3. Recoverable on Losses (For State Claims Prior to 1985 and Highway Department prior to 1994)	301
4. Interest Receivable	358
5. Fixed Assets	469
6. Total Assets	<u>\$52,143</u>

#### Notes:

Item 3: Includes payments for national and state guard military claims and Department of Transportation and Highway Patrol claims for FY 93-94.

### LIABILITIES, SURPLUS AND OTHER FUNDS (In Thousands of Dollars)

1. Unpaid Losses	\$55,898
2. Loss Adjustment Expenses (Unallocated)	4,584
3. Unearned Premiums (Unexpired Portion of Premium)	886
4. Claims Recoverable Under Statute 42-7-75 (See Note 1 below and Operating Statement Note 3)	(10,543)
5. Other	1,318
6. Total Liabilities	<u>\$52,143</u>

#### Notes:

(1) Fund security is backed by State of South Carolina if needed to the extent of aggregate interest earnings not credited to the State Fund since inception.

OPERATING STATEMENT  
(In Thousands of Dollars)

1. Premium Earned	\$31,593,198
2. Less Losses and Expenses Incurred (Includes Change in I.B.N.R.)	31,024,000
3. Less Other Expenses Incurred (See Statement of Operating Expenditure for details)	3,386,625
4. Net Underwriting Gain or (Loss) Item 1 less sum of 2 and 3)	(2,817,427)
5. Income from Other Investments (Excluding Capital Gains (Losses)	1,797,824
6. Net Difference	<u>\$(1,019,603)</u>

Notes:

(1) Current operating statement is generally based on insurance industry definitions for annual statement reporting.

(2) Investment earnings on State Fund premiums were not allocated to the trust fund account which contributed to the current surplus position. All investment earnings were credited for FY 1993-94.

(3) Claims Recoverable Under Statute 42-7-75, June 30, 1993.	\$ (9,523)
Net Difference - above	
Transfer to Operating Expense Fund (Over expenses)	(1,020)

Claims Recoverable Under Statute 42-7-75, June 30, 1994	<u>\$ (10,543)</u>
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# STATE ACCIDENT FUND

## STATEMENT OF OPERATING EXPENDITURES (In Dollars)

(July 1, 1993 - June 30, 1994)

I. Personnel Services:		
Classified and		
Unclassified Positions		\$2,175,208
II. Operating Expenses		
Contractual Services	\$704,487	
Supplies and Materials	115,820	
Fixed Charges and		
Contributions	259,322	
Travel	32,593	
Equipment	59,027	
Library Books and Maps	-0-	
Total Operating Expenses		1,171,249
III. Special Item: Actuarial Services		40,168
Total (I, II and III)		\$3,386,625



## STATE ACCIDENT FUND

## PREMIUM RECEIPTS STATEMENT

FOR THE PERIOD JUNE 1, 1974 TO JUNE 30, 1994

FISCAL YEAR	STATE	COUNTIES	CITIES	TOTALS
F75	592,094	956,041	800,320	2,348,455
F76	932,464	1,318,801	1,067,379	3,318,644
F77	944,360	2,027,019	1,339,406	4,310,785
F78	1,205,624	2,303,338	1,707,666	5,216,628
F79	1,458,921	3,235,607	1,824,972	6,519,500
F80	1,266,796	5,099,517	2,237,920	8,604,233
F81	2,064,784	3,907,895	1,897,496	7,870,175
F82	2,890,994	4,703,412	2,597,412	10,191,818
F83	4,402,657	4,684,255	2,652,273	11,739,185
F84	4,304,079	3,902,969	1,279,049	9,486,097
F85	5,617,695	2,779,891	965,845	9,363,431
F86	8,983,673	3,165,795	953,770	13,103,238
F87	10,767,804	4,247,557	1,299,790	16,315,151
F88	12,370,736	5,063,093	1,042,442	18,476,271
F89	12,478,894	5,668,295	1,370,738	19,517,927
F90	11,917,480	7,098,415	1,454,277	20,470,172
F91	18,944,826	6,834,949	1,614,374	27,394,149
F92	21,441,753	5,667,069	1,739,530	28,848,352
F93	23,630,524	4,697,456	1,999,116	30,327,096
F94	24,699,783	4,705,044	2,188,371	31,593,198

## STATE ACCIDENT FUND

## DISBURSEMENTS STATEMENT

FOR THE PERIOD JUNE 1, 1974 TO JUNE 30, 1994

FISCAL YEAR	STATE	COUNTIES	CITIES	TOTAL
F75	498,467	959,969	769,838	2,228,274
F76	867,032	1,223,395	924,846	3,015,273
F77	925,328	1,545,695	1,209,195	3,680,218
F78	1,088,948	2,005,364	1,282,627	4,376,939
F79	1,323,457	2,249,936	1,612,418	5,185,811
F80	1,211,632	2,457,973	1,484,740	5,154,345
F81	2,100,539	3,435,495	2,049,976	7,586,010
F82	2,773,357	3,954,471	1,919,392	8,647,220
F83	4,227,424	4,480,075	2,550,225	11,257,724
F84	4,171,798	4,557,397	2,805,604	11,534,799
F85	5,062,332	3,568,498	2,054,826	10,685,656
F86	5,443,395	3,696,285	1,284,768	10,424,448
F87	6,593,151	3,923,579	1,594,428	12,111,158
F88	7,646,475	4,782,304	1,456,568	13,885,347
F89	9,397,263	3,868,632	1,078,755	14,344,650
F90	12,101,288	5,664,517	1,821,261	19,587,066
F91	13,623,854	6,556,345	1,812,655	21,992,854
F92	14,217,249	5,821,217	1,733,213	21,771,679
F93	18,582,917	5,732,362	1,846,925	26,162,204
F94	23,496,688	5,793,460	1,769,754	31,059,902

# STATE ACCIDENT FUND

## CLAIMS OPENED AND CLAIMS CLOSED

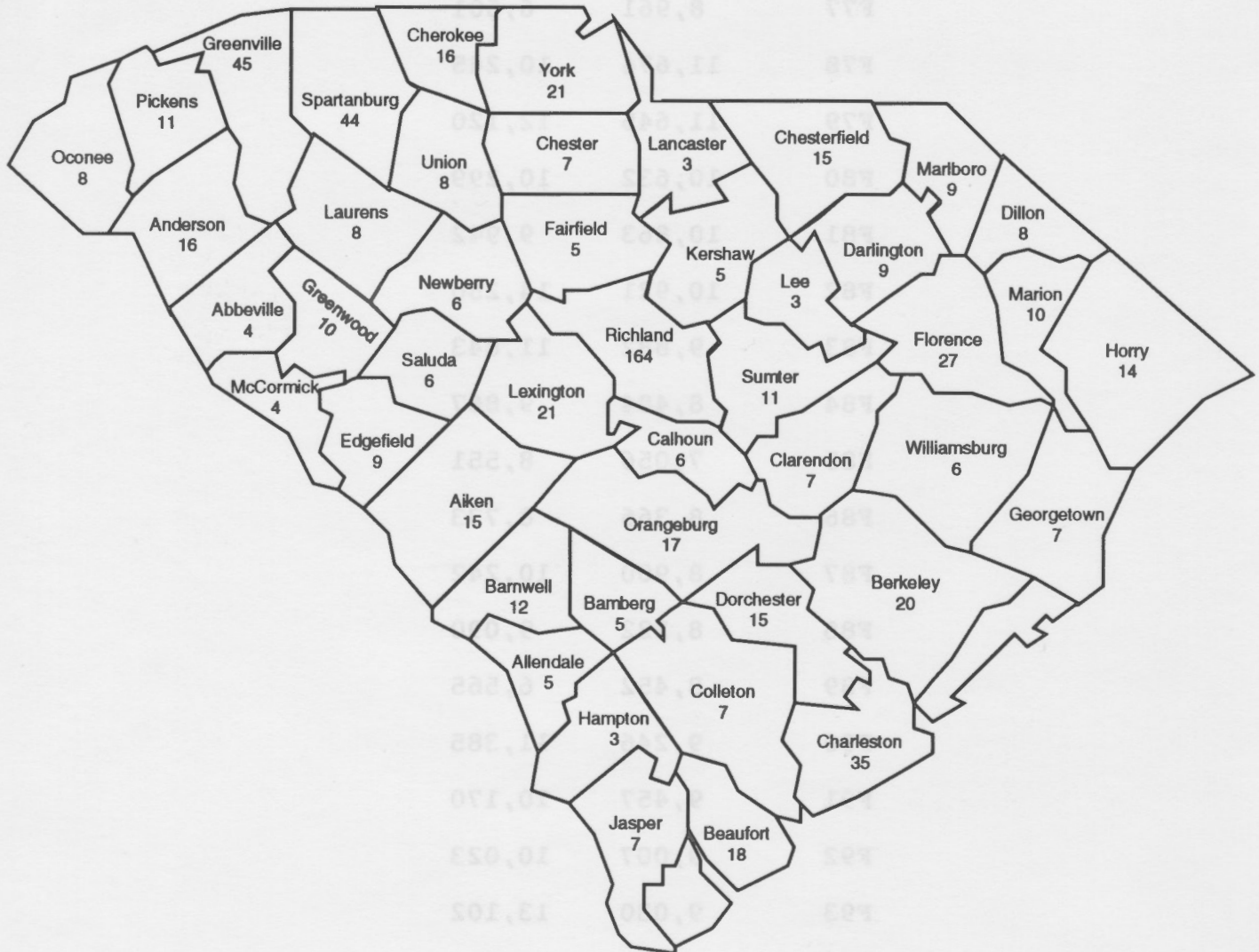
FOR THE PERIOD JUNE 1, 1974 TO JUNE 30, 1994

FISCAL YEAR	CLAIMS OPENED	CLAIMS CLOSED
F75	7,911	7,732
F76	8,900	8,704
F77	8,961	6,501
F78	11,674	10,245
F79	11,645	12,120
F80	10,632	10,299
F81	10,863	9,942
F82	10,921	14,250
F83	9,882	11,843
F84	8,484	9,867
F85	7,056	8,551
F86	8,366	8,733
F87	8,900	10,242
F88	8,222	9,090
F89	8,452	6,565
F90	9,246	11,385
F91	9,457	10,170
F92	9,007	10,023
F93	9,030	13,102
F94	10,195	13,369



# State Accident Fund

## Total Policyholders By County



## INFORMATION PROCEDURE

Requests for information about the Agency by the general public may be made in writing, by telephone or personal visit to the State Accident Fund.

Individuals uncertain of who, where or how to address their problem or question to may call toll free 1-800-521-6576 and ask for the Ombudsman.

Submissions or suggestions designed to improve the operation of the State Accident Fund should be submitted in writing to the Director. Requests for information by the media or for copies of publications or materials should also be addressed to the Director.

All requests for information which require a response in the form of a legal opinion or interpretation of a statement of official policy or position of the agency must be submitted in writing.

The offices of the State Accident Fund are located at 800 Dutch Square Boulevard, Suite 160, Columbia, S. C. 29210. The mailing address of the State Accident Fund is P. O. Box 102100, Columbia, S. C. 29221-5000. The Columbia number is 737-8100 or statewide toll-free number is 1-800-521-6576.

## HISTORICAL DATA

- 1943 The State Workers' Compensation Fund was created and continued in effect from year to year by various acts of the General Assembly as a division of the S. C. Industrial Commission.
- 1943 L. L. McKenzie appointed as first Director of the State Workers' Compensation Fund.
- 1947 The law governing the State Workers' Compensation Fund become a permanent act, and is now identified by Sections 42-7-10 through 42-7-100 of the 1976 Code of Laws of South Carolina.
- 1974 The State Compensation Fund was established as a separate agency. June 30, 1975 L. L. McKenzie retire as Director of the State Workers Compensation Fund.
- July 1, 1975 John W. Scott appointed as Director of the State Workers' Compensation Fund.
- Feb. 24, 1982 The State Workers' Compensation Insolvency Fund was established with in the State Workers' Compensation Fund.
- June 9, 1982 The S. C. Crime Victims' Compensation Fund was established within the State Workers' Compensation Fund. Jan. 1, 1983 The S. C. Crime Victims' Compensation Fund becomes operational.
- 1984 The State Victim Assistance Program was established.
- 1984 The Victim Bill of Rights was established providing rights to victims of crime including the Sexual Assault Program within the Victims' Compensation Fund.
- 1985 South Carolina Victim Assistance Network (SCVAN) is established as a state level advisory network for the State Victim Assistance Program.
- Sept. 1, 1986 John W. Scott resigns as the Director of the State Workers' Compensation Fund.
- Sept. 2, 1986 Irvin D. Parker appointed as Acting Director of the State Workers' Compensation Fund.
- January, 1987 Irvin D. Parker appointed as Director of the State Workers' Compensation Fund.
- July 1, 1987 General Assembly amends funding law which increases revenues for the crime victims fund collected from criminals through assessments and restitution.



March 14, 1988 Act No. 367 of 1988 Acts and Joint Resolutions (A&JR) allows the Director to reduce crime victim awards on a pro rata basis when projected revenues are insufficient to pay projected awards to crime victims.

March 21, 1988 Act No. 406 of 1988 A&JR increases the maximum aggregate award payment which the Victim Compensation Fund can make from \$3000 to \$10,000 and the amount of payment for burial expenses of a crime victim from \$1000 to \$2,000.

March 21, 1988 Act No. 485 of 1988 A&JR clarifies the definition the term "victim" and expands potential benefits for victims to cover "psychic trauma" and expenses associated with treatment such as mental health counseling.

April 24, 1989 House Bill No. 3447 transfers responsibility for administering the State Workers' Compensation Insolvency Fund from the State Workers' Compensation Fund to the Second Injury Fund.

July 1, 1989 House Bill No. 3658 changed the name of the Victims' Compensation Fund to the State Office of Victim Assistance.

July 1, 1989 General Appropriations Act, Part II, Section 22 specifies that all income or revenue derived from investing these (State Fund Trust Fund) funds shall accrue to the State Fund phased in over a three year period with one third accruing to the State Fund in FY 1990-91, and two thirds in 1991-92 and thereafter all income or revenue derived from investing these funds...

March 26, 1992 S. C. Guardian Ad Litem Program became affiliated as a division of the State Workers' Compensation Fund.

July 1, 1993 State Government re-structuring is enacted by the legislature, thereby renaming the State Workers' Compensation Fund as the State Accident Fund and transferring the State Office of Victim Assistance and the S. C. Guardian Ad Litem Program to Division's within the Governor's Office.

March 14, 1988 Act No. 357 of 1988 Acts and Joint Resolutions (ASJR) allows the Director to reduce crime victim awards on a pro rata basis when projected revenues are insufficient to pay projected awards to crime victims.

March 21, 1988 Act No. 406 of 1988 ASJR increases the maximum aggregate award payment which the Victim Compensation Fund can make from \$3000 to \$10,000 and the amount of payment for burial expenses of a crime victim from \$1000 to \$2,000.

March 21, 1988 Act No. 485 of 1988 ASJR clarifies the definition of the term "victim" and expands potential benefits for victims to cover "psychic trauma" and expenses associated with treatment such as mental health counseling.

April 24, 1989 House Bill No. 3447 transfers responsibility for administering the State Workers' Compensation Insolvency Fund from the State Workers' Compensation Fund to the Second Injury Fund.

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